

Message Text

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PASS: COMMERCE AND EXIM BANK

ATTENTION: OEC/OBOD LINVILLE

E.O. 11652: N/A

TAGS: BEXP, KS

SUBJECT: KOREA HAPSUM CO. SEEKS U.S. PARTNERSHIP IN MANUFACTURE OF NYLON 66, HOPEFULLY WITH MONSANTO

SUMMARY: LEADING KOREAN TEXTILE FIRM INTERESTED IN ESTABLISHING \$8 TO 10 MILLION JOINT VENTURE WITH U.S. FIRM FOR PRODUCTION OF NYLON 66 AND IMPORT OF NECESSARY EQUIPMENT WITH EXIM CREDIT. JAPANESE AND EUROPEAN FIRMS ALSO INTERESTED IN NYLON 66 JOINT VENTURE WITH KOREANS.

1. CHOI, HONG-RIN, DIRECTOR, KOREA HAPSUM CO., LTD. (WTDR:09-73) HAS INFORMED THE EMBASSY THAT HIS FIRM HAS PROPOSED JOINT VENTURE WITH MONSANTO TEXTILE CO., 1114 AVENUE OF THE AMERICAS, NEW YORK, N.Y. 10036 FOR MANUFACTURE OF NYLON 66. PROJECT COST EXPECTED \$8 TO 10 MILLION.

2. KOREA HAPSUM'S INITIAL CONTACTS WERE MADE IN OCTOBER 1973 WHEN CHOI WAS IN UNITED STATES WITH ROK PURCHASING MISSION. AT THAT TIME HE DISCUSSED PRELIMINARY JOINT VENTURE PROPOSAL WITH MR. J.R. EVERETT, MONSANTO'S EXPORT DIRECTOR. IN APRIL OF THIS YEAR, MR. CHANG, CHI-HYEOK, UNCLASSIFIED

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PRESIDENT, KOREA HAPSUM, SENT A LETTER OF INTENT TO MONSANTO.

3. KOREA HAPSUM HAS FLEXIBLE ATTITUDE TOWARD PRODUCTION CAPACITY OR RATIO OF EQUITY OWNERSHIP, ALTHOUGH CHOI POINTS OUT PROBABILITY THAT GOVERNMENT WILL PREFER MAXIMUM 50PCT FOREIGN EQUITY IN LINE WITH CURRENT POLICY.

4. CHOI EXPLAINED THAT KOREAN GOVERNMENT HAS ALREADY LICENSED KOREA HAPSUM FOR ANNUAL PRODUCTION OF 10 METRIC TONS OF NYLON 66. AS LONG AS JOINT VENTURE IS IN PROSPECT WITH REPUTABLE FIRM LIKE MONSANTO, CHOI IS OPTIMISTIC HE CAN OBTAIN GOVERNMENT APPROVAL FOR GREATER CAPACITY IF IT SHOULD BE NECESSARY FOR ECONOMIC PLANT SIZE, HE SAYS HE WOULD HAVE NO DIFFICULTIES IN PERSUADING GOVERNMENT THAT THERE ARE AMPLE MARKET POSSIBILITIES FOR VERY LARGE CAPACITY PLANT.

5. CHOI SAYS KOREA HAPSUM IS FRANKLY CONCERNED THAT DEAL WITH MONSANTO MIGHT NOT WORK OUT. HOWEVER, HE IS PLANNING TRIP TO U.S. IN EARLY JUNE TO TRY TO LINE UP AGREEMENT. IF MONSANTO DEAL FALLS THROUGH, KOREA HAPSUM WILL WANT TO FIND ANOTHER U.S. PARTNER.

6. DURING U.S. TRIP CHOI WILL ALSO WANT TO EXPLORE POSSIBILITY OF EXIM FINANCING FOR U.S. EQUIPMENT FOR PLANT. HE WOULD BE INTERESTED IN SOME KIND OF PRELIMINARY EXPRESSION THAT EXIM WOULD BE INTERESTED IN FINANCING THESE U.S. EXPORTS PROVIDING, OF COURSE, THAT KOREA HAPSUM CAN OBTAIN CONSENT FROM KOREA ECONOMIC PLANNING BOARD (WHICH HE BELIEVES PROBABLE) AND CAN FULFILL OTHER EXIGENCIES FOR EXIM PRECOMMITMENT.

7. CHOI SAID HE WAS VISITING EMBASSY BECAUSE HE FELT HIS COMPANY WOULD NEED SOME HELP IN PUTTING PROJECTS

TOGETHER. HE EMPHASIZED URGENCY OF SITUATION SINCE PROMINENT JAPANESE AND EUROPEAN FIRMS ARE ALSO CONDUCTING PRELIMINARY SURVEYS FOR CONSTRUCTION OF NYLON 66 PLANTS AND THERE WILL NOT BE ROOM FOR MANY SUCH PLANTS IN KOREA. CONSEQUENTLY HE HOPES TO RETURN FROM U.S. TRIP WITH PRELIMINARY JOINT VENTURE AGREEMENT (HOPEFULLY WITH MONSANTO) AND PRELIMINARY INDICATION OF EXIM INTEREST. HE WOULD THEN ESTABLISH

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PRELIMINARY JOINT VENTURE APPLICATION WITH KOREAN ECONOMIC PLANNING BOARD SO THAT COMPETING FIRMS WOULD NOT HAVE CLEAR FIELD.

8. KOREA HAPSUM, THIRD LARGEST NYLON FIBER MANUFACTURE ONLY AFTER KOREA NYLON CO., LTD. AND TONG YANG NYLON CO., LTD., WAS ESTABLISHED IN 1966. FIRM IS CAPITALIZED AT W750 MILLION (\$1,875,000) AND EMPLOYS 450 PEOPLE. FIRM'S DAILY

PRODUCTION CAPACITY INCLUDES POLYPROPYLENE STAPLE FIBER (15 TONS), NYLON STAPLE FIBER (4 TONS), NYLON FILAMENT (20 TONS), AND NYLON MONO-FILAMENT (ONE TON). DURING 1973, FIRM CLAIMS HAVE PRODUCED AND SOLD \$30 MILLION WORTH OF PRODUCTS. THIS TOTAL INCLUDED SALES BY ITS AFFILIATES, UNIDECOR CORPORATION AND KOREA CHEMICAL CO., LTD.

9. WE WILL SUPPLY CHOI'S ITINERARY AS SOON AS AVAILABLE. MEANWHILE, WE ARE SUGGESTING FIRM GET IN CONTACT WITH KOREA-US ECONOMIC COUNCIL HERE FOR POSSIBLE ASSISTANCE THROUGH U.S.-KOREA COUNCIL. WE HAVE ALSO SUGGESTED THAT, WHEN HE VISITS WASHINGTON, CHOI CONTACT EITHER COMMERCE OFFICE OF INVESTMENT OR SPECIAL PROJECTS OFFICE. THIS TELEGRAM IS TO PROVIDE AS MUCH LEAD TIME AS POSSIBLE IN VIEW OF CHOI'S PROBABLE CALL AT COMMERCE WITHIN A FEW WEEKS.
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